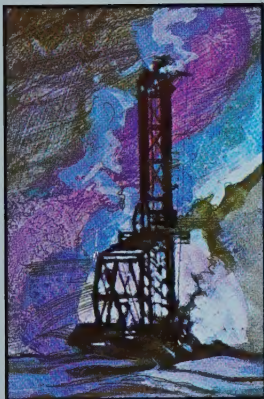


AR46

# ANNUAL REPORT 1977



# CORPORATE DIRECTORY

## DIRECTORS

\*IAN B. CAMPBELL, C.A.  
\*R. W. CHORLTON  
GOWAN T. GUEST  
DEREK A. HANSON, Q.C.  
F. G. HARVEY  
THOMAS LOHNER, Dipl. Ing.  
H. W. MACDONELL, Q.C.  
\*PETER PAUL SAUNDERS  
\*D. R. SOBEY  
\*D. C. H. STANLEY  
\*D. L. TORREY

\*Member of the Audit Committee

## OFFICERS

R. W. CHORLTON	Chairman of the Board and Chief Executive Officer
IAN B. CAMPBELL, C.A.	President and Chief Operating Officer
J. A. CRAWFORD	Vice President
R. H. GODFREY, P. Eng.	Vice President
F. G. HARVEY	Vice President and Secretary
R. G. WILLOX	Vice President
P. G. SIMS, C.A.	Vice President and Treasurer
Y. L. THIBEAULT, C.A.	Assistant Treasurer

<b>BANKERS:</b>	Bank of Montreal • Bank of British Columbia • Royal Bank of Canada • Seattle-First National Bank
<b>REGISTRARS:</b>	National Trust Company Limited
<b>TRANSFER AGENT:</b>	The Royal Trust Company
<b>LEGAL COUNSEL:</b>	Courtois, Clarkson, Parsons and Tétrault
<b>AUDITORS:</b>	Touche Ross & Co.
<b>STOCK LISTINGS:</b>	Montreal Stock Exchange • Toronto Stock Exchange
<b>HEAD OFFICE:</b>	350 Sparks Street, Ottawa, Ontario K1R 7S8

Annual Meeting of Shareholders  
The Annual General Meeting will be held at the Toronto Hilton Harbour Castle Hotel, Toronto, on Wednesday, April 26, 1978 at 11:00 a.m. A buffet luncheon will be served following the meeting.

Valuation Day  
The value for capital gains tax attributed to Wajax Limited common stock on Valuation Day (December 22, 1971) was \$13.63, which by virtue of 2-for-1 stock splits in 1972 and 1977 is now equivalent to \$3.4075 per Class A share.



# FINANCIAL HIGHLIGHTS

## Operations (thousands of dollars)

Gross Revenue  
Net Earnings

## % Change

10.9  
16.5

## 1977

\$107,067  
4,730

## 1976

\$96,584  
4,059

## Financial Position (thousands of dollars)

Working Capital  
Long-term Debt  
Shareholders' Equity

9.2  
(2.4)  
14.8

26,853  
8,100  
24,183

24,585  
8,300  
21,071

## \*Per Common Share

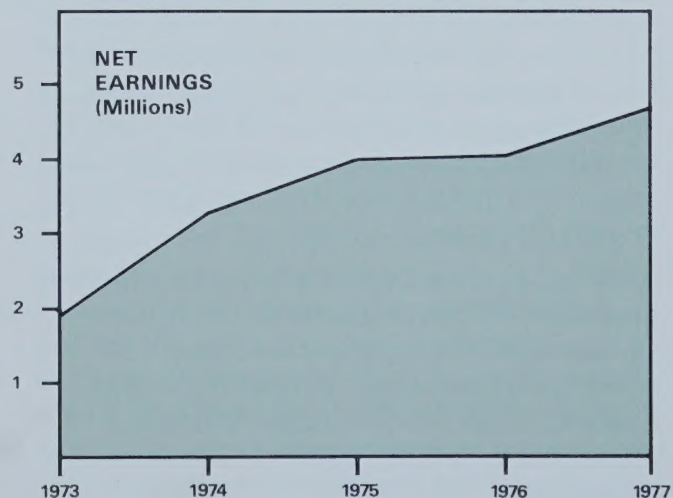
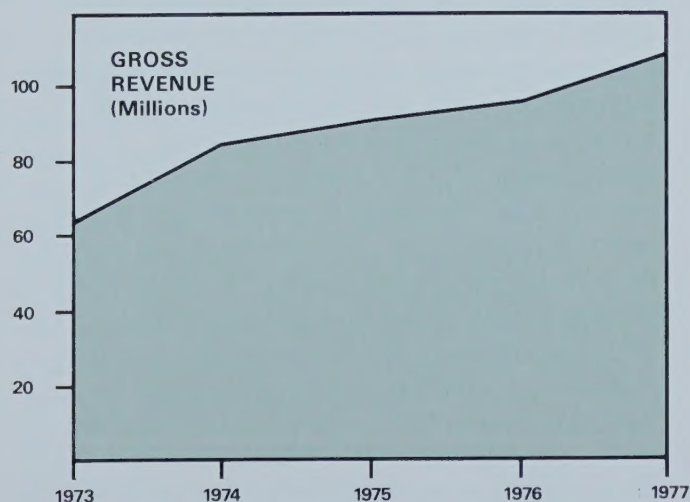
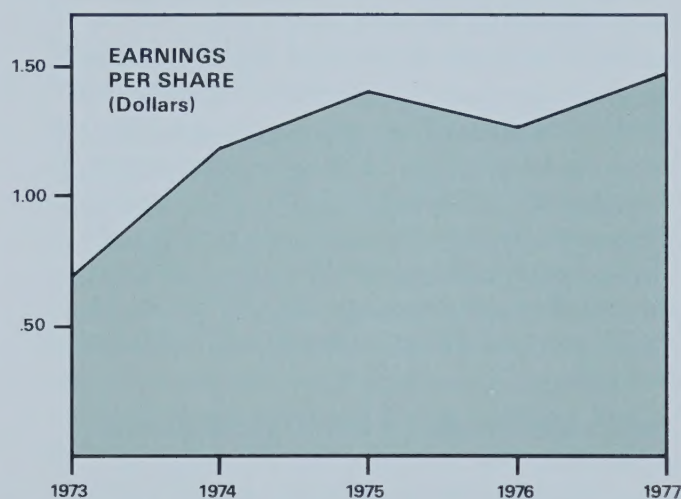
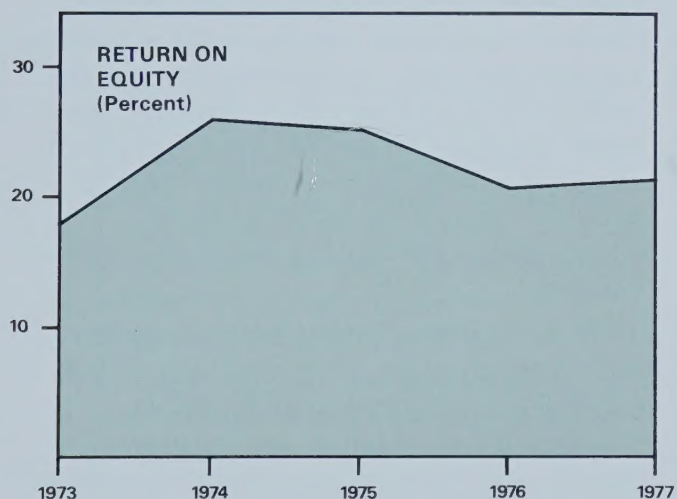
Net Earnings  
Dividends (Class A)  
Shareholders' Equity

15.9  
5.0  
13.7

\$1.46  
.52 1/2  
7.45

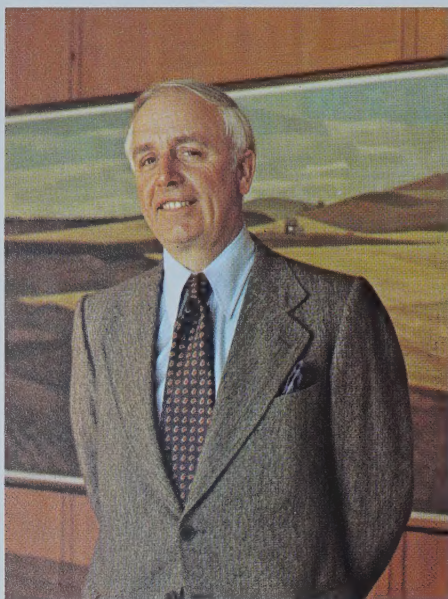
\$1.26  
.50  
6.55

\*Adjusted to reflect the two-for-one stock split effective October 14, 1977.





# REPORT TO THE SHAREHOLDERS



Although economic trends throughout Canada continued to be mixed during 1977, particularly towards its close, we are pleased to report generally satisfactory results for the year. Consolidated net earnings at \$4,730,000 were up 16.5% from 1976 on a gross revenue increase of 10.9% to \$107,067,000. Earnings per share, based on the average number of shares outstanding and after giving effect to the two-for-one share split as of October 14, 1977, were \$1.46, an increase of 15.9% over last year.

The foregoing results, which establish new records for the Company, are the result of continued profitable business growth in our Western Canada based operations, together with strong profit improvements from the Fire Control Equipment Group in Canada and the United States. These developments more than offset the small decline in profit from Eastern Canada operations. Keen competition existed in all of our markets and had the effect of forcing profit margins down.

After-tax earnings reflect an overall corporate tax rate of 43.0%, reduced from 47.5% last year by application of the 3% tax credit on opening inventories introduced in the last Federal Budget. This adjustment had the effect of adding \$380,000 or 11.7¢ per share to earnings.

Dividends declared during the year were increased by 8% from 50¢ to 54¢ per Class A common share, the maximum permitted under the Anti-Inflation Program. This, the ninth consecutive annual increase, represents your Directors' dividend philosophy of paying a reasonable percentage of annual earnings to shareholders while retaining an amount sufficient to finance the continued strong internal growth of your Company.

Tax measures introduced in the Budget of March 31, 1977 made provision for certain important changes regarding the tax treatment of dividend income. One of these, applicable to Wajax Class B shareholders, will result in the payment of tax-deferred dividends throughout 1978 in an amount equal to the Class A dividend; thereafter no tax deferral will be permitted for cash dividends on this class of share. The other change that will have general application for recipients of dividends from Canadian corporate sources, is one in which a substantially larger dividend tax credit at the personal income level will be allowed. This highly desirable tax change has the effect of making dividend income a more attractive source of investment income, thereby encouraging Canadians to invest in Canadian equities.

1977 was a year of strong internal growth within the Company, with emphasis on the expansion of our network of premises, enlargement of certain of our key locations, recruiting of skilled employees at all levels and increasing the size of inventories to accommodate the growth of business. Much of the foregoing is reflected by the financial statements which show on the balance sheet a growth of items such as inventories and bank loans, and also on the earnings statement a 13.7% increase in selling and general administration expenses; part of this is attributable to the normal rise in the cost of doing business, but the bulk of it arises from the expansion of our internal operations. Although some of the development expense has had the effect of reducing bottom line performance in 1977, it is all essential if we are to gear up for what we believe to be a reasonably strong medium to long term



growth period, principally in Western Canada. In this latter area, our optimism is based upon an assessment of the following potentially significant projects:

- The Alaska Highway pipeline which will run slightly over 2,000 miles across Canada and have an estimated cost of construction of approximately \$4 billion. A project of this nature will require substantial volumes of mobile equipment of the types supplied by Wajax and Waterous.
- Oil Sands, where additional facilities are being considered to mine this extensive resource, again estimated at a cost approximating \$4 billion for the next project being considered. Waterous and Wajax have been involved in supplying a wide range of machinery and equipment in the oil sands area beginning with the construction of the first plant.
- Exploration for conventional oil and gas supplies. The West Pembina oil discovery which is considered the biggest of the past decade, has sparked a new boom in Alberta oil fields. Elsewhere in Western Canada, substantial new discoveries of gas are being made in a variety of locations.
- An expanding demand for metallurgical coal. This will result from any upturn in the world economy, particularly that of Japan, and in consequence several new coal mines are likely to be developed in Western Canada in the next few years.

The decline of the Canadian dollar and the general disarray of world currency markets are naturally of concern to your Company which is deeply involved in both export and import trade. There may be some difficult adjustments, but on balance and over the medium term we feel that the stimulus afforded to natural resource industry in this country may outweigh the negatives, at least as far as Wajax is concerned.

In our last year's report we noted the acquisition made as of January 1, 1977 of

Silver Line Fire Equipment Limited, a Western Canadian distributor of fire control equipment. The transaction was consummated on a purchase of assets basis, and Silver Line's operations merged with the Company's other fire control activities in British Columbia and Alberta by mid-year. This move designed to broaden the Company's participation in the general fire fighting field was of marginal value during 1977, but is expected to prove constructive in the coming years.

One other corporate development of interest in the Fire Control Group was the decision to repurchase from the Austrian fire hose manufacturer, A. Haberkorn & Co. KG, their 40% equity interest in Niedner – thus establishing Niedner as a wholly-owned subsidiary of Wajax. Our relationship with Haberkorn continues on the basis of a licencing arrangement. The move provides for greater flexibility in the use of Niedner facilities, and we believe will be of long term benefit to the Company.

In a move designed to strengthen the Company's position with regard to truck-mounted aerial devices and allied equipment in Quebec, a decision was reached in March, 1978 to acquire all the outstanding shares of Trailbec Ltd., a Laval, Quebec based manufacturer of heavy equipment trailers. This well located company, with premises comprising 18,500 square feet on 6.2 acres of land, has facilities well suited to carry out assembly and manufacture of utility equipment of a type used by Hydro-Quebec. The acquisition, to be made for cash, should be of assistance in developing a strong Quebec market.

As shareholders are aware, we felt that it would be in their interest to enhance the marketability of Wajax shares and, for this reason, a Special General Meeting was held on September 23, 1977 to ratify the Board's decision to split the shares two-for-one. This was our third two-for-one stock split during the last ten years, a period which has seen an increase in the number of shares outstanding from 211,200 in 1967 to 3,246,820 at year-end 1977, an increase in the number of individual shareholders from 680 to more than



1,500 and an increase in the market price range from around \$2 to the recent \$10 level.

As explained elsewhere in the material accompanying this report, we have thought it appropriate at this time to take the necessary steps to bring our Company under the jurisdiction of the new Canada Business Corporations Act. Subject to shareholder approval, we will be satisfied to have this necessary adjustment disposed of, and then to get on with the important management tasks that loom ahead.

Shareholders will remember that Mr. J. W. Walker retired at the last Annual Meeting as Chairman of the Board, and our report for 1976 paid tribute to his outstanding services to the Company. Consequent upon his retirement, and upon the by-law changes approved at that Meeting, your Directors subsequently made the following appointments:

R. W. Chorlton –  
Chairman of the Board  
and Chief Executive Officer

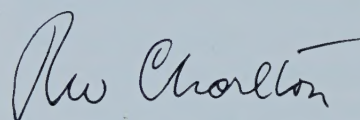
I. B. Campbell –  
President and Chief Operating Officer

The definition of executive responsibilities implicit in these appointments, while by no means restrictive, has contributed to the effectiveness of each of us in his respective role.

As we ended the financial year, the general economic outlook in Canada was weak in the short term. During 1977 business investment in machinery and equipment declined by 1.7 percent in real terms and the latest surveys of buying intentions are not forecasting any improvement. The general level of business activity for Wajax is slow in Eastern Canada, particularly in the mining equipment sector, while the pace is much faster in the West. Against this background, we believe any improvement in profitability for 1978 may be marginal.

In closing, may I express my thanks for a job well done by employees throughout the Company. I believe that the Company's diversified design has served it well during the past year, but it would not have done so were it not for the outstanding efforts of the highly competent employees throughout the depth and breadth of our operations.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "R. W. Chorlton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

R. W. Chorlton,  
Chairman and Chief Executive Officer.



# OPERATIONS



Detailed operating figures are presented and commented upon elsewhere in this report, but behind them lie a series of successes and disappointments and, we believe, continued confirmation of the value of the decentralized, incentive-oriented management structure which has characterized the Company for more than a decade.

The changes in the major balance sheet figures reflect quite accurately the results of the major operating trends and the management decisions made during the year. We were required to react to a number of changing conditions, including among other things:

- Continuing pressure on profit margins, as competition intensified in a relatively flat capital goods market.
- Low prices and excess inventories in the world's base metal markets.
- Rising costs of imported equipment, due to currency fluctuations.
- The general malaise stemming from lost confidence in the economy.

Inventories are up over seven million dollars from December 1976. Half of this increase occurred in the Materials Handling, Waterous GM Diesel and Fire Control Divisions – the

areas which showed the greatest relative growth during the year – and is a direct result of the increased tempo of business and level of competition in these market areas. A large portion of the balance of inventory growth is relatable to our Smith utility and crane operations and results from a change in policy calling for longer and fewer production runs, unexpected shifts in market and competition patterns during the year, and the introduction of new products.

Fixed assets additions amounted to almost \$1.2 million – a meaningful increase for this Company. The two largest items, accounting for almost half the total, were a major addition and improvements to our Waterous plant in Edmonton, and the purchase and equipping of the new Wajax Industries branch in Kamloops. Both these moves are in line with our plans to further upgrade and expand our facilities in Western Canada, despite short term downturns in individual market areas.

The increase in bank loans of \$3.7 million is a direct result of the higher inventory levels and investments in fixed assets in excess of funds generated by depreciation. While we do not, at this time, anticipate continued overall growth of inventories the process of upgrading facilities to improve efficiency and market coverage is expected to continue.

Geographically, operations in B.C. and Alberta continued their strong overall performance trend, contributing for the first time over 50% of the gross revenues and net earnings attributable to domestic operations. British Columbia, under the guidance of Mr. G. R. Donaldson, who was appointed General Manager, Wajax Industries in B.C., and benefiting from relatively stable labour conditions and improved export markets for the lumber industry, contributed record gross volumes and net earnings to the overall results. In Alberta, with the general mood of confidence and expectation at high levels, and despite increasingly broad competition and a generally flat year for our Mining Division, a similar record of growth and earnings was maintained.



Saskatchewan and Manitoba, heavily dependent on the agricultural and extractive industries, experienced a disappointing economic year, and our results were affected accordingly.

New major capital projects in both the industrial and mining sectors of Ontario, Quebec and the Maritime Provinces were almost non-existent. A general firming of industrial activity in Ontario, tied in part to strength in the North American automobile industry, resulted in increased volumes and profits, to a large degree offset by a decrease in Quebec sourced earnings of almost 10%. While this latter trend appears to reflect recent general business conditions in Quebec, we believe there continue to be good business opportunities and some growth potential for the Company's products in the province, and considerable thought is being given to ensuring we are properly structured to take advantage of these situations.

Our fire control subsidiaries in the United States experienced an excellent year, and important moves are being made to obtain for these operations a greater share of the market potential south of the border.

Wajax International Limited continued to develop export markets overseas, both for our

own products and for those of other manufacturers. Significant deliveries of Smith Bros. product were made in Turkey and in Peru, while Senegal and the Ivory Coast were leading purchasers of fire control equipment. A branch operation in Santiago, Chile, was formally incorporated to better promote our marketing of equipment for the copper mines and for forest protection in that country.

Looking at specific market areas, there was encouraging growth in gross revenues in Materials Handling, in Fire Control and in Waterous GM Diesel Limited. Despite the growing costs of greater penetration in each of these very competitive fields, each contributed an increase in net profits.

In Materials Handling, we increased our penetration to obtain a significantly improved share of a market that, on a nation-wide basis, remained almost static. In spite of reduced demand in the East and increased competition from Japanese imports in the West, gains were achieved in every major centre. Hyster Company's commitment to the Canadian market, evidenced by a substantial addition to their Malton plant at a time when some competitors have been pulling out of Canada, has enabled us to offer a premium product of Canadian manufacture. As a result of the





eminent suitability of this product, although the pulp and paper industry is not prospering generally, we have made important sales in this sector in 1977 and enjoy good prospects for 1978.

The re-grouping of our Fire Control operations outlined in our last report has been rewarded by substantial internal growth and share of market, particularly in the Canadian hose manufacture (Niedner Limited) and in the U.S. pump and accessory business (Pacific Pumpers Inc. and related operations). Further re-organization at Wajax Manufacturing Limited, the Canadian pump and accessory unit, has laid the groundwork for a solid contribution in 1978. Forest fire activity in Canada was about average for the past year, but in the U.S. it was more intense, and our people responded with vigorous and concerted action.

Waterous GM Diesel, the Detroit Diesel and Allison Transmission distributor for Alberta, part of northeast British Columbia and the Yukon, experienced another excellent year. Sales and earnings were at new record levels, caused partially by an improvement in market demand, particularly in the oil and gas exploration fields, and in part by more intense sales efforts into the after market. Although

cost and investment levels concern us, continued expansion of our facilities to serve this market area is planned.

Our Crane and Utility group, which is built around the products of the Smith Bros. plant, continues to experience highly competitive market conditions, and the fact that net earnings were comparable to those of the previous year is a credit to our sales force and the determined efforts of our production management to cut costs and improve efficiency. The year was highlighted by the introduction of our own line of knuckle boom loaders, the VIVA cranes, into a market place heretofore dominated by imports, and by the development of several important modifications and improvements to the Smith/Pitman line of products.

Woodlands operations, primarily concentrated in Western Canada, experienced a reasonably good year, as did some of the specialized equipment sold to the construction and industrial maintenance markets. Towards the end of the year, an upswing in demand for log-handling machinery appeared to reflect the favourable impact of the falling Canadian dollar upon B.C. lumber markets.

1977 was a most difficult year for Mining, the





largest of our operating groups. The depressed state of the industry as a whole contributed to an overall reduction of volume and profit in this area. Base metal prices were soft and the development of the western coal areas has been cautious, so that not only has new capital investment been minimal, but the replacement and repair of existing equipment remained at a low level.

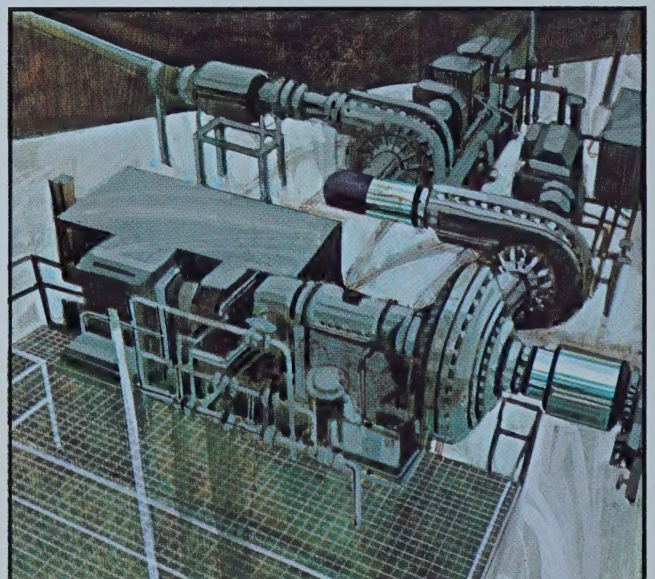
In the face of these conditions we maintained a creditable penetration of the market, attaining relatively constant sales volumes in the areas of pumping, conveyors, belting and rubber products. For 1978, this industry should fare at least no worse than last year, and we expect some favourable opportunities. Bright spots include the continuing growth in the uranium industry in the Elliot Lake area, and both potash and uranium developments in Saskatchewan reflecting the restoration of a measure of stability to the industry in that province.

In recognition of the importance of the Mining group, Mr. R. H. Godfrey has been appointed a Vice President of Wajax Limited, with responsibility and authority for the operations of the mining business across Canada.

While we do not foresee a major upswing in the short term, we are satisfied that the calibre of manufacturer we represent, coupled with our national market coverage by qualified, motivated people, will enable us to maintain a profitable level of operations and to participate fully in the eventual re-awakening of all our vital industries.



Ian B. Campbell,  
President and Chief Operating Officer.





## CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1977	1976
Gross revenue	\$107,067	\$96,584
Cost of sales	<u>81,932</u>	<u>73,936</u>
Gross profit	<u>25,135</u>	<u>22,648</u>
Selling and administrative expenses	15,962	14,038
Interest on long-term debt	<u>870</u>	<u>876</u>
	<u>16,832</u>	<u>14,914</u>
Earnings before income taxes	8,303	7,734
Income taxes	<u>3,573</u>	<u>3,675</u>
Net earnings - Note 2	<u>\$ 4,730</u>	<u>\$ 4,059</u>
Earnings per common share	<u>\$1.46</u>	<u>\$1.26</u>
Weighted average number of shares outstanding	<u>3,238,061</u>	<u>3,218,234</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1977	1976
Retained earnings at beginning of year	\$13,564	\$11,115
Net earnings	<u>4,730</u>	<u>4,059</u>
	18,294	15,174
Dividends - Note 3	<u>1,752</u>	<u>1,610</u>
Retained earnings at end of year	<u>\$16,542</u>	<u>\$13,564</u>



# WAJAX LIMITED

(Incorporated under the Canada Corporations Act)

## CONSOLIDATED BALANCE SHEET

(Dollars)

### ASSETS

	1977	1976
Current		
Cash	\$ 110	\$ 206
Accounts and notes receivable	16,949	15,839
Inventories	34,992	27,665
Prepaid expenses	184	135
Deferred income taxes – Note 4	442	457
	<u>52,677</u>	<u>44,302</u>
Fixed		
Land, buildings, equipment and leasehold improvements	8,004	6,897
Less accumulated depreciation and amortization	4,031	3,459
	<u>3,973</u>	<u>3,438</u>
Other		
Unamortized debenture issue expense	202	214
Excess of cost of shares of subsidiary companies over net book value of assets acquired	1,255	1,255
	<u>1,457</u>	<u>1,469</u>
	<u>\$58,107</u>	<u>\$49,209</u>

On behalf of the Board:



Director



Director

The Shareholders  
Wajax Limited

We have examined the consolidated balance sheet of Wajax Limited as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

AUDITORS



# ET AS AT DECEMBER 31, 1977

(thousands)

## LIABILITIES

	1977	1976
Current		
Bank indebtedness – secured	\$ 9,001	\$ 5,301
Accounts payable and accrued liabilities	12,945	11,503
Notes payable – Note 5	2,139	1,548
Income and other taxes payable	1,262	962
Dividend payable	477	403
	<u>25,824</u>	<u>19,717</u>
Long-term debt – Note 6	8,100	8,300
Minority interest – Note 7	–	121

## SHAREHOLDERS' EQUITY

Capital stock – Note 3				
Common shares without nominal or par value				
	<u>Authorized</u>	<u>Issued</u>		
Class A	8,000,000	2,731,816		
Class B	4,000,000	515,004		
	<u>12,000,000</u>	<u>3,246,820</u>	7,641	7,507
Retained earnings			<u>16,542</u>	<u>13,564</u>
			<u>24,183</u>	<u>21,071</u>
			<u>\$58,107</u>	<u>\$49,209</u>

## REPORT

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Jouche Ross & Co.*

Ottawa, Ontario  
February 24, 1978

Chartered Accountants



# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands)

	1977	1976
Source of funds		
From operations		
Net earnings	\$ 4,730	\$ 4,059
Items not requiring an outlay of funds		
Depreciation and amortization	621	512
Other	<u>12</u>	<u>7</u>
	5,363	4,578
Proceeds from sale of fixed assets	33	23
Issue of shares	<u>134</u>	<u>15</u>
	<u>5,530</u>	<u>4,616</u>
Application of funds		
Purchase of fixed assets	1,189	583
Decrease in long-term debt	200	200
Purchase of minority interest	121	-
Dividends	<u>1,752</u>	<u>1,610</u>
	<u>3,262</u>	<u>2,393</u>
Increase in working capital	<u>\$ 2,268</u>	<u>\$ 2,223</u>
Working capital at end of year	<u>\$26,853</u>	<u>\$24,585</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1977

### 1. Accounting Policies

#### Principles of Consolidation

These consolidated financial statements include the accounts of Wajax Limited and all its subsidiary companies.

#### Exchange Translation

Assets and liabilities in foreign currencies have been translated to Canadian dollars at the rates prevailing at December 31, 1977.

Exchange gains and losses are taken into income in the year realized.

#### Inventories

Inventories, including used equipment and rental units, are valued at the lower of cost and net realizable value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 1977

### 1. Accounting Policies (continued)

#### Fixed Assets and Depreciation

Fixed assets and leasehold improvements are recorded at cost. Depreciation, on the diminishing balance basis, and amortization are provided at the following rates:

Buildings	- 5%
Equipment	- 20%
Automotive equipment	- 30%
Leasehold improvements	- Straight-line over expected term of lease

#### Other Assets

Debenture issue expenses are being amortized over the terms of the issues.

The Company believes that the excess of cost of shares of subsidiary companies over net book value of assets acquired represents continuing value and accordingly it is not being amortized.

### 2. Statutory Information

The following charges have been included in determining net earnings for the year:

	<u>1977</u>	<u>1976</u>
Depreciation and amortization	\$621,000	\$512,000
Remuneration of directors and officers		
Fees of 12 directors (11 in 1976), paid by Wajax Limited	46,000	41,000
Remuneration of 10 officers (9 in 1976) of which 4 were directors, paid by Wajax Industries Limited	685,000	665,000

### 3. Capital Stock

On September 23, 1977, the shareholders approved a two-for-one subdivision of the common shares of the Company which was confirmed by supplementary letters patent. In these financial statements and notes thereto, all references to numbers of common shares, prices per common share and earnings per common share are after giving effect to this two-for-one share subdivision.

The Class A and Class B shares are convertible to shares of the other class on a one-for-one basis. The rights of the Class A and Class B shares are identical except that dividends on Class B shares may be paid out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand, provided that a dividend is paid on the Class A shares in an amount equal to the dividend on the Class B shares plus any tax applicable thereto.

Changes in capital stock during the year were as follows:

	<u>Class A</u>	<u>Class B</u>
Common shares outstanding at beginning of year	2,634,670	584,164
Options exercised during the year	27,986	-
Net conversion of Class B shares to Class A shares	<u>69,160</u>	<u>(69,160)</u>
Common shares outstanding at end of year	<u>2,731,816</u>	<u>515,004</u>

Dividends declared during the year were as follows:

Class A shares	\$1,464,000
Class B shares	278,000
Tax applicable to dividends on Class B shares	<u>10,000</u>
	<u>\$1,752,000</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 1977

### 3. Capital Stock (continued)

Options, which expire five years after date of grant, are outstanding to purchase 15,200 of the authorized but unissued shares of the Company as follows:

	To Officers	To Employees
Options granted September 9, 1975 at \$6.1875 per share	-	4,200
Options granted August 11, 1976 at \$5.85 per share	4,000	-
Options granted November 17, 1977 at \$8.78 per share	-	7,000
	<u>4,000</u>	<u>11,200</u>

### 4. Deferred Income Taxes

Deferred income taxes arise mainly from the elimination from consolidated earnings of profits upon intercompany sales, and from equipment warranty and other provisions reflected in the accounts which are not deductible for income tax purposes until the expenses are actually incurred.

### 5. Notes Payable

Represents notes payable to suppliers and financial institutions of which \$1,855,000 (\$1,198,000 in 1976) is secured by inventories.

### 6. Long-Term Debt

	1977	1976
8¾% secured sinking fund debentures, Series A, payable March 1, 1993	\$4,500,000	\$4,500,000
11¾% secured sinking fund debentures, Series B, payable October 15, 1995	<u>3,800,000</u>	<u>4,000,000</u>
	8,300,000	8,500,000
Less current portion included in accounts payable and accrued liabilities	<u>200,000</u>	<u>200,000</u>
	<u>\$8,100,000</u>	<u>\$8,300,000</u>

Annual sinking fund payments for Series A (\$250,000) commence in 1979.

### 7. Purchase of Minority Interest

During the year the Company purchased, at book value, the remaining 40% of the outstanding shares of Niedner Limited.

### 8. Commitments

The Company and its subsidiary companies have entered into long-term leases of varying terms to 1996 for which the maximum net annual rental is \$1,000,000 (\$900,000 in 1976).

### 9. Employees' Pension Plan

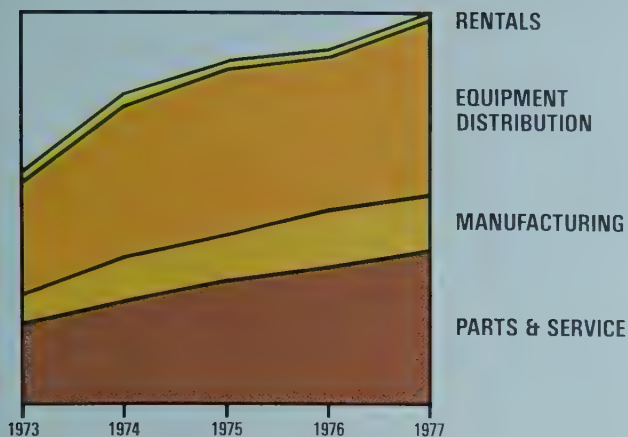
The latest actuarial review of the employees' pension plan as at December 31, 1975, adjusted for changes in the plan in 1976, established an unfunded liability of approximately \$710,000 which is being funded over fifteen years by annual payments, including interest, of \$65,000.

### 10. Anti-Inflation Legislation

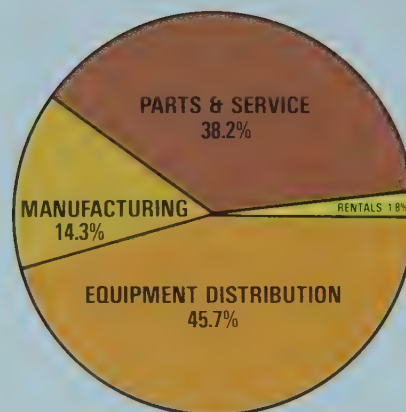
The Company is subject to the Federal Government's Anti-Inflation Legislation, which became effective October 14, 1975. This legislation limits increases in prices, profits, dividends and compensation. Management is of the opinion that the Company has no liability under this legislation at December 31, 1977.



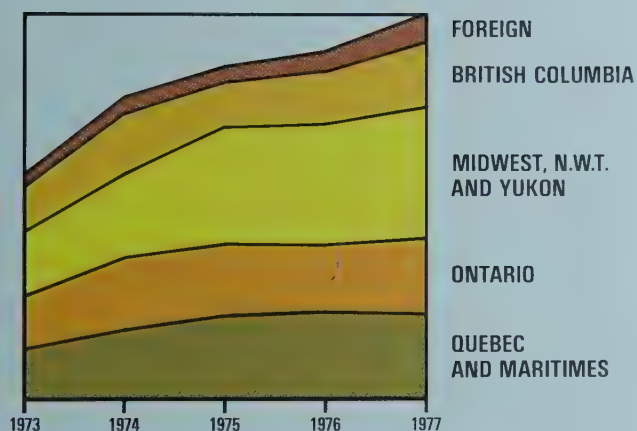
# CHARTS



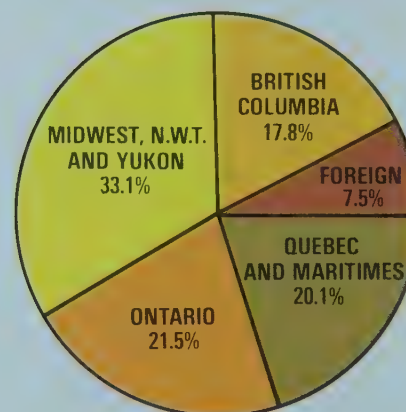
**FIVE YEAR SALES CATEGORY BREAKDOWN**



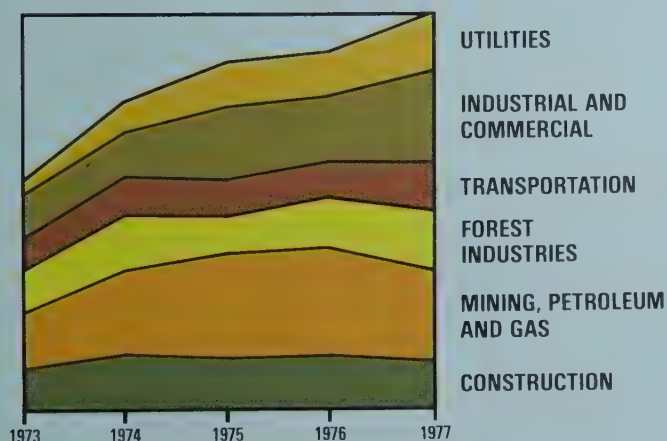
**GROSS REVENUE BY SALES CATEGORY, 1977**



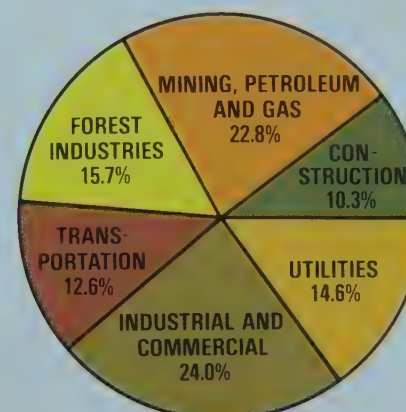
**FIVE YEAR GEOGRAPHICAL BREAKDOWN**



**GROSS SALES BY GEOGRAPHICAL AREA, 1977**



**FIVE YEAR END USE MARKET BREAKDOWN**



**APPROXIMATE BREAKDOWN OF GROSS SALES BY END USE MARKET, 1977**



# TEN YEAR SUMMARY

(Dollars in thousands except per share data)

	Years ended			
	1977	1976	1975	1974
Gross Revenue	\$107,067	\$96,584	\$93,369	\$83,965
Pre-tax Earnings	\$ 8,303	7,734	7,955	6,793
After Tax Earnings	\$ 4,730	4,059	4,050	3,303
Income Taxes	\$ 3,573	3,675	3,905	3,490
Dividends Declared	\$ 1,752	1,610	1,365	981
Total Assets	\$ 58,107	49,209	45,461	43,235
Working Capital	\$ 26,853	24,585	22,362	14,699
Long Term Debt	\$ 8,100	8,300	8,500	4,500
Shareholders' Equity	\$ 24,183	21,071	18,607	13,858
After Tax Earnings as a % of:				
Total Assets	8.1	8.2	8.9	7.6
Shareholders' Equity	20.9	20.5	25.0	26.0
Gross Revenue	4.4	4.2	4.3	3.9
Shares Outstanding (Note 2)	3,246,820	3,218,834	3,215,434	2,803,292
Per Share:				
- Earnings (note 3)				
Pre-tax	\$2.56	\$2.40	\$2.75	\$2.42
After Tax	\$1.46	1.26	1.40	1.18
- Dividends Paid	\$ .525	.50	.43	.33
- Equity	\$7.45	6.55	5.79	4.94
- Working Capital	\$8.27	7.64	6.95	5.24
Number of Shareholders	1,542	1,560	1,600	1,485
Price Range of Shares (Note 2)	\$10 <sup>1</sup> / <sub>4</sub> - 6 <sup>1</sup> / <sub>4</sub>	\$7 <sup>1</sup> / <sub>2</sub> - 6	\$7 - 4 <sup>1</sup> / <sub>2</sub>	\$6 - 4 <sup>3</sup> / <sub>8</sub>

## Note

1. Results for 1971 have been restated on the deferred tax accounting basis adopted in 1972.
2. Adjusted to reflect two-for-one stock splits in 1968, 1972 and 1977. Price ranges rounded to nearest <sup>1</sup>/<sub>8</sub> dollar.
3. Per share earnings are based on the average number of shares outstanding during the year. These and other per share items rounded to the nearest cent.

December 31					Eight months ended December 31	Year ended April 30
1973	1972	1971	1970	1969	1968	1968
\$62,426	\$50,327	\$33,997	\$27,810	\$25,427	\$12,738	\$16,461
3,928	2,920	1,863	1,462	1,484	704	730
1,950	1,518	910	769	693	360	419
1,978	1,402	953	693	791	344	311
767	435	272	222	197	114	130
34,709	27,092	23,434	17,311	15,779	16,450	12,991
12,692	10,174	8,115	6,424	6,235	5,821	4,551
4,500	2,775	3,150	1,826	2,041	2,171	1,422
11,520	10,261	7,578	6,481	5,935	5,392	4,050
5.6	5.6	3.9	4.4	4.4		3.2
17.9	17.0	12.9	12.4	12.2		10.9
3.1	3.0	2.7	2.8	2.7		2.5
7,799,092	2,781,492	2,334,936	2,222,536	2,222,536		1,760,400
\$1.41	\$1.13	\$0.83	\$0.66	\$0.67	Note	\$0.41
.70	.59	.40	.35	.31	4	.24
.25	.14	.11	.10	.09		.08
4.12	3.69	3.25	2.92	2.67		2.30
4.53	3.66	3.48	2.89	2.81		2.59
1,447	1,152	815	873	819		565
7 1/8 - 4 5/8	\$6 - 3 3/8	\$3 7/8 - 2 1/4	\$2 1/2 - 1 1/2	\$4 1/4 - 2		\$2 1/2 - 1 1/2

Because comparisons are not meaningful in respect of the eight month period resulting from the change in the financial year end in 1968, calculated data for this period have been omitted.



# AREAS OF INVOLVEMENT



## Mining, Petroleum & Gas

Mucking Machines  
Mine Cars  
Battery & Diesel Locomotives  
Shotcrete Systems  
Hydraulic Powered Supports  
Roadheading Machines  
Belt & Chain Conveyors  
PVC Conveyor Belting  
Truck Mounted Cranes  
Electric Vibrating Feeders  
Rubber Linings: Skips, Chutes,  
Mills, Truck Boxes  
Rubber Screen Cloth  
Load-Haul-Dump Units  
Underground Trucks & Service Vehicles  
Hydraulic Drill Jumbos  
Mobile Basket Lifts  
Pneumatic & Hydraulic Hammers  
Mine Drainage Pumps  
Centrifugal, Diaphragm & Reciprocating  
Slurry Pumps  
Fork Lift Trucks  
Electric Wheel Loaders  
Dust & Noise Control Systems  
Industrial Vacuum Systems  
Diesel Engines  
Hydraulic Excavators  
Hydraulic Backhoes



## Materials Handling

Belt & Chain Conveyors  
Fork Lift Trucks: Electric, Propane,  
Gasoline, Diesel  
Container Handlers  
Piggy-Back Handlers  
Jib Cranes & Straddle Cranes  
Pallet Trucks  
Truck Mounted Telescoping Cranes  
Truck Mounted Articulating Cranes  
Industrial Vacuum Trucks  
Rail Car Positioners



## Utility

Ditch Trenchers/Cable Layers  
Digger Derricks  
Truck Mounted Cranes  
Hydraulic Tools  
Mobile Basket Lifts  
Aerial Devices  
Utility Truck Bodies  
Industrial Vacuum Trucks  
Diesel Engines





## Fire Control

- Hydraulic Portable Rescue Tool
- Fire Fighting Hand Tools
- Weather Instruments
- Portable & Stationary High Pressure Fire Pumps
- Fire Trucks/Mini Pumpers
- Back Pack Hand Pumps
- Helicopter Water Bombing Buckets
- Trailer Mounted Tankers
- Forestry/Municipal All-Purpose Fire Hose



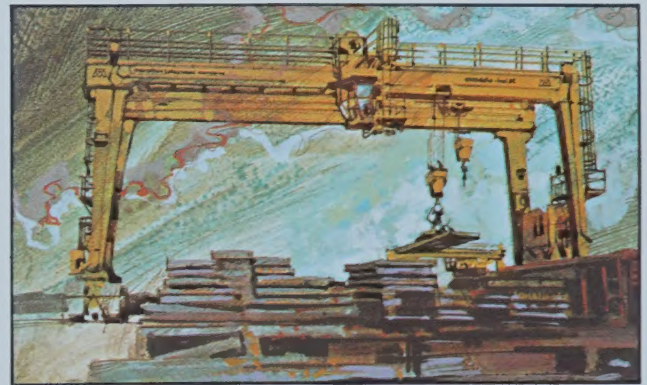
## Construction

- Ditchers/Cable Layers
- Concrete Mixers
- Fork Lift Trucks
- Heaters, Vibrators, Compactors, Trowels, Rollers
- Truck Mounted Telescoping Cranes
- Concrete Pumps
- Sand Blasting Systems
- Climbing Cranes
- Mobile Basket Lifts
- Generators
- Truck Mounted Articulating Cranes
- Industrial Vacuum Trucks
- Diesel Engines



## Forestry

- Hydraulic Knuckle-Boom Loaders
- Jib Cranes
- Tree Crushers
- Electric Wheel Log Stackers
- Truck Mounted Cranes
- Fork Lift Trucks



## Steel

- Slurry Pumps
- Rubber Screens
- Conveyors
- Industrial Vacuum Systems
- Water Pumps
- Straddle Cranes
- Fork Lift Trucks
- Truck Mounted Cranes



# WAJAX LIMITED & SUBSIDIARIES

## WAJAX LIMITED

350 Sparks Street, Ottawa, Ontario

## WAJAX INDUSTRIES LIMITED

1 Moore Road, Dartmouth, Nova Scotia  
295 Joliette Street, Seven Islands, Quebec  
4165 Boulevard Hamel West, Quebec, Quebec  
6555 Cote de Liesse, Montreal, Quebec  
2090 Monterey, Chomedey, Laval, Quebec  
2114 Scott Street, Ottawa, Ontario  
7390 Woodbine Avenue, Toronto, Ontario  
163 Wicksteed Avenue, Toronto, Ontario  
248 Steelcase Road E., Toronto, Ontario  
428 Millen Road, Hamilton, Ontario  
115 Midpark Road, London, Ontario  
1260 Brookes Street, North Bay, Ontario  
1870 Ellice Avenue, Winnipeg, Manitoba  
627 Erin Street, Winnipeg, Manitoba  
2122 Faithful Avenue, Saskatoon, Saskatchewan  
6210 97th Street, Edmonton, Alberta  
2327 91st Avenue, Edmonton, Alberta  
5529 3rd Street S.E., Calgary, Alberta  
1101 Victoria Avenue, Cranbrook, British Columbia  
696 Cree Street, Kamloops, British Columbia  
2244 Nicholson, Prince George, British Columbia  
1441 Clark Drive, Vancouver, British Columbia  
320 Industrial Avenue, Vancouver, British Columbia  
769 Powell Street, Vancouver, British Columbia

## WAJAX INTERNATIONAL LIMITED

248 Steelcase Road E., Toronto, Ontario

## WAJAX MANUFACTURING LIMITED

6517 Cote de Liesse, Montreal, Quebec

## NIEDNER LIMITED

190 Cutting Street, Coaticook, Quebec

## PACIFIC FIRE CONTROL INC.

65 Clinton Street, Malden, Massachusetts

## PACIFIC PUMPERS INC.

227 Andover Park East, Seattle, Washington

## WILCO FIRE EQUIPMENT CO.

730 S.E. Powell, Portland, Oregon

## SMITH BROS. MOTOR BODIES LIMITED

7400 Woodbine Avenue, Toronto, Ontario

## WATEROUS GM DIESEL LIMITED

10025 51st Avenue, Edmonton, Alberta  
7850 Blackfoot Trail, Calgary, Alberta  
10906 97th Avenue, Grande Prairie, Alberta  
8219 Manning Avenue, Fort McMurray, Alberta  
Hampshire Road, Hinton, Alberta







